LISI GROUP (HOLDINGS) LIMITED
利時集團（控股）有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 526)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board") of Lisi Group (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 (the "Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	3	**220,191**	147,934
Cost of sales		**(177,311)**	(113,129)
Gross profit		**42,880**	34,805

	Note	Six months ended 30 September	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other revenue		**788**	913
Other income	4	**7,096**	228
Selling and distribution expenses		**(9,921)**	(5,840)
Administrative and other operating expenses		**(26,316)**	(21,870)
		(28,353)	(26,569)
Profit/(Loss) from operations	5	**14,527**	8,236
Finance costs		**(4,907)**	(4,077)
Profit/(Loss) before taxation		**9,620**	4,159
Taxation	6	**(3,784)**	–
Profit/(Loss) for the Period		**5,836**	4,159
Other comprehensive income/(loss) for the period			
Exchange difference on translation of foreign operations		**757**	–
Total comprehensive income for the period attributable to equity holders of the Company		**6,593**	4,159
Earnings per share			
– Basic and diluted, HK cents	8	**0.25**	0.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Goodwill		**66,781**	–
Property, plant and equipment		**248,907**	232,213
		315,688	232,213
CURRENT ASSETS			
Inventories		**72,358**	39,866
Trade and bills receivables	9	**79,368**	56,668
Prepayments, deposits and other receivables	10	**29,294**	6,921
Bank balances and cash		**104,813**	12,412
		285,833	115,867
CURRENT LIABILITIES			
Trade payables	11	**80,392**	58,059
Other payables and accruals		**44,535**	43,782
Advance from a related company, unsecured	13	**–**	6,818
Loan from a related company, unsecured	14	**–**	6,355
Short term loan, unsecured	14	**6,355**	–
Loans from a shareholder, unsecured	15	**11,000**	14,000
Short-term bank borrowings		**79,681**	38,513
Current portion of long-term bank borrowings		**15,827**	102,273
Current portion of obligations under finance leases		**35**	34
		237,825	269,834
NET CURRENT ASSETS/ (LIABILITIES)		**48,008**	(153,967)
TOTAL ASSETS LESS CURRENT LIABILITIES		**363,696**	78,246

	30 September 2010 *HK$'000* (Unaudited)	31 March 2010 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Obligations under finance leases	**87**	106
Long-term bank borrowings	**129,413**	–
Deferred tax	**468**	–
	129,968	106
NET ASSETS	**233,728**	78,140
CAPITAL AND RESERVES		
Share capital	**24,770**	15,395
Reserves	**208,958**	62,745
	233,728	78,140

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated (loss)/profit *HK$'000*	Total *HK$'000*
At 1 April 2009	15,395	25,352	1,265	139	54,477	(27,154)	69,474
Change for the period	–	–	–	–	–	4,159	4,159
At 30 September 2009	15,395	25,352	1,265	139	54,477	(22,995)	73,633
At 1 April 2010	15,395	25,352	1,265	139	54,477	(18,488)	78,140
Change for the Period	9,375	139,655	–	757	(35)	5,836	155,588
At 30 September 2010	**24,770**	**165,007**	**1,265**	**896**	**54,442**	**(12,652)**	**233,728**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	**(7,114)**	(22,543)
Net cash used in investing activities	**(123,779)**	(7,696)
Net cash from financing activities	**223,294**	29,632
Net increase/(decrease) in cash and cash equivalents	**92,401**	(607)
Cash and cash equivalents at beginning of Period	**12,412**	11,168
Cash and cash equivalents at end of Period	**104,813**	10,561

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2010.

3. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has only one operating segment of manufacturing and trading of household products during the Period.

The Group's operations are principally located in Hong Kong and the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	Six months ended		**as at**	
	30 September 2010	30 September 2009	**30 September 2010**	31 March 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
USA	**121,171**	121,399	**–**	–
Canada	**1,543**	4,294	**–**	–
Hong Kong	**9,315**	5,929	**816**	551
PRC	**67,920**	197	**314,872**	231,662
Europe	**10,142**	6,259	**–**	–
Others	**10,100**	9,856	**–**	–
	220,191	147,934	**315,688**	232,213

4. OTHER INCOME

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**1,930**	228
Write back of provision for legal claims from employees	**3,060**	–
Write back of other payables	**1,406**	–
Government subsidies	**544**	–
Others	**156**	–
	7,096	228

5. PROFIT/(LOSS) FROM OPERATIONS

This is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	**9,192**	8,116
Allowance for inventory obsolescence	**39**	(107)
Provision for bad and doubtful debts	**7**	–
Exchange loss, net	**4,965**	131
Staff costs	**32,134**	23,127
Termination benefits	**131**	83

6. TAXATION

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**3,316**	–
Deferred tax	**468**	–
	3,784	–

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes in respect of operations in Hong Kong for the Period (2009:HK$Nil). The PRC Enterprise Income Tax in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profit for the period based on existing legislation, interpretation and practices in respect thereof.

7. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2009:Nil) in respect of the Period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit for the Period of HK$5,836,000 (2009: net profit of HK$:4,159,000) and on the weighted average number of 2,320,713,794 ordinary shares (2009:1,539,463,794) in issue throughout the Period.

Diluted earnings per share for the Period was same as the basic earnings per share as there was not any dilutive event occurred.

9. TRADE AND BILLS RECEIVABLES

The Group in general allows a credit period of 30 to 60 days to its trade customers. An aging analysis of the Group's trade and bills receivables (net of provision for bad and doubtful debts) by overdue date is set out below:

	30 September 2010 *HK$'000* **(Unaudited)**	31 March 2010 *HK$'000* (Audited)
Current	**70,602**	48,370
Less than 1 month past due	**6,173**	8,173
1 month to 2 months past due	**2,467**	4
Over 2 months past due	**126**	121
	8,766	8,298
	79,368	56,668

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The increase in the balance is mainly due to a deposit of RMB22,059,730 (equivalent to HK$25,650,849) paid as part of the consideration of RMB68,085,830 for the acquisition of 8.62% equity interest in QL Electronics Co., Ltd. from various independent third parties by Ningbo Lisi Information Technology Co., Ltd., a wholly owned subsidiary of the Company.

For details of this acquisition, please refer to the announcement of the Company on 13 August 2010.

11. TRADE PAYABLES

An aging analysis of trade payables by invoice date is set out below:

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Less than 3 months	**54,064**	36,171
3 months to 6 months	**20,866**	10,918
6 months to 1 year	**1,192**	1,788
More than 1 year	**4,270**	9,182
	80,392	58,059

12. COMMITMENTS

Commitment under operating leases

As lessee

The Group has total future minimum lease payments under non-cancellable operating leases, which are payables as follows:

	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Audited)
Within 1 year	**7,698**	268
In the second to fifth years inclusive	**8,446**	–
	16,144	268

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of 2 years. At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	30 September 2010 (Unaudited) HK$'000	31 March 2010 (Audited) HK$'000
Within 1 year	**375**	1,100
In the second to fifth years inclusive	**–**	–
	375	1,100

13. **ADVANCE FROM A RELATED COMPANY, UNSECURED**

The advance from a related company, in which the Company's director and shareholder, Mr. Li Li Xin, has beneficial interest, was unsecured, interest-bearing at 6% p.a. and repaid in May 2010.

14. **SHORT TERM LOAN, UNSECURED**

The loan was transferred from a related company, in which the Company's director and shareholder, Mr. Xu Jin, has beneficial interest, to a third party upon maturity. It was unsecured, interest-bearing at 7% per annum and repayable in December 2010.

15. **LOANS FROM A SHAREHOLDER, UNSECURED**

HK$6,000,000 loan from a shareholder was unsecured and interest-bearing at HIBOR plus 3% per annum and repayable in December 2010 and another HK$5,000,000 loan from this shareholder was also unsecured and interest-bearing at HIBOR plus 2% per annum and repayable in December 2010.

16. **EVENT AFTER THE REPORTING PERIOD**

On 25 October 2010, Ningbo Lisi Information Technology Co., Ltd., a wholly owned subsidiary of the Company, entered into a share transfer agreement and a capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, will have 24.76% interest in the registered capital of Veritas-Msi (China) Co., Ltd. for a total consideration of RMB40,000,000.

For details, please refer to the announcements of the Company on 25 October 2010 and 1 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

During the Period, the Group recorded a turnover of approximately HK$220.2 million, representing an increase of 48.8% when compared with the turnover of HK$147.9 million reported for the corresponding period last year. During the Period under review, the Group reported an operating profit of HK$14.5 million compared to an operating profit of HK$8.2 million last year, and a net profit for the period of HK$5.8 million when compared to a net profit of HK$4.2 million during the same period last year. The Group's basic earnings per share was HK$0.25 cents.

Acquisitions

On 30 April 2010, the Group completed the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo from Big-Max Manufacturing Co., Limited, a substantial shareholder of the Company, for a consideration of HK$90 million. For details of this acquisition, please refer to the circular of the Company dated 31 March 2010.

On 6 August 2010, Ningbo Lisi Information Technology Ltd., a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with various independent third parties to acquire an aggregate of 8.62% equity interest in QL Electronics Co., Ltd. ("QLEC") at an aggregate consideration of RMB68,085,830. QLEC is one of the leading semiconductor suppliers in China.

On 25 October 2010, Ningbo Lisi Information Technology Ltd. entered into a share transfer agreement and a capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, will have 24.76% interest in the registered capital of Veritas-Msi (China) Co., Ltd. ("VMCL") at a total consideration of RMB40 million. The core business of VMCL is in the development and application of separation technology and multiphase measurement sciences for the oil and gas industry.

As of the date of this interim results announcement, the acquisitions of interests in QLEC and VMCL are still in the progress of handling all the necessary legal procedures and conditions for the completion of the transactions.

Liquidity and Financial Resources

As at 30 September 2010, the Group's net assets increased to HK$233.7 million, rendering net asset value per share at HK$9.4 cents. The Group's total assets at that date were valued at HK$601.5 million, including cash and bank deposits totaling approximately HK$104.8 million. Consolidated borrowings amounted to HK$242.4 million. The Company had increased share capital during the period and its debt-to-equity ratio (bank and other borrowings over total equity) has been decreased from 215.1% as at 31 March 2010 to 103.7% as at 30 September 2010.

Capital Structure of the Group

On 30 April 2010, the Company completed the share subscription and 937,500,000 new shares at the subscription price of HK$0.16 per share were issued and alloted to Big-Max Manufacturing Co., Limited, a substantial shareholder of the Company, at a total cash consideration of HK$150,000,000. For details of the share subscription, please refer to the circular of the Company dated 31 March 2010.

As at 30 September 2010, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK$145.2 million, other bank borrowings of HK$79.7 million and advance and borrowings from a shareholder, a related company and a third party totalling HK$17.3 million. All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on a floating-rate and fixed rate basis.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK$162.2 million as at 30 September 2010 (31 March 2010: HK$164.9 million) were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

Other than as disclosed in the Event After the Reporting Period Section above, the Group will continue to allocate a reasonable amount of resources to acquisition and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate and alternative debt and equity financing.

Exposure to Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollar, PRC Renminbi and U.S. dollar. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of Renminbi widely expected in the foreign exchange market. Given that Renminbi is not an international currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group.

As at 30 September 2010, the Group had no financial instrument for foreign exchange hedging purposes. However, the Group would continue to monitor closely the Renminbi currency fluctuation and adopt appropriate measures available in the market to address the business needs and to manage the impact of exchange rate risk.

Segment Information

North America remained the Group's primary market, which accounted for 55% of total sales.

Due to the business model adopted by the plastic and household business newly acquired on 30 April 2010, this part of sales, which accounted for 30.8% of the Group's sales turnover during the Period, goes through a local export agent in China and is thus classified under China market in the segment information presented in Note 3 of the unaudited financial statements above. The goods are essentially being sold to overseas markets eventually.

The remaining comprised of sales to Europe, Hong Kong and others.

Contingent Liabilities

As at 30 September 2010, the Company had no material contingent liabilities.

Employee Information

As at 30 September 2010, the Group employed a workforce of 1,742 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the Period under review.

Review of Operations

During the Period, the Group recorded a net profit of HK$5.8 million. Driven by increase in sales, productivity improvement measures and contribution from newly acquired business, the results have been improved as compared to the net profit of HK$4.2 million in the corresponding period last year. However, there are challenges in managing the costs due to the price increase of raw materials in the global market and the rise of the local production costs in our China factories (as a result of both RMB appreciation and local cost increases). The Group has taken actions to manage local purchase costs and improve production efficiency on the one hand and negotiate with our customers for price increase on the other hand. Besides, the Group continues to focus on selling products of higher margin and exploring new markets and segments with growth potential.

The increase in finance costs by HK$0.8 million as compared with the corresponding period of last year was mainly due to increase in bank borrowings.

PROSPECTS

The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that have successfully improved the Group's business and financial performance in recent years even given the challenging and volatile market environment after the outbreak of financial tsunami in 2008. Apart from the continuing effort in cost control measures such as structural changes in procurement and manufacturing planning and/or considering relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its efforts to explore new businesses. The Group took initiative and will continue its effort in expanding its customer base, especially the higher margin OEM customers, who are willing to invest in tailor-made products that fit their specific requirements. In the long run, the Group will further enhance the development of its business into different markets.

The Group is always seeking enhancement of its products. With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain good profit margins. The Group has been developing new products such as kitchenware gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product lines to optimize the production capacity and to get hold of the market opportunities in the global economic recovery. We shall also monitor closely the direct and indirect impact of quantitative easing measures and anti-inflation actions in different markets and adjust our sales and purchase strategies accordingly to achieve our goal of continuous business growth and performance improvement.

Further Strengthening the Leading Role in the Market of Household Products

With the completion of the acquisition of the business of plastic and household products and the related manufacturing assets in Ningbo from Big-Max Manufacturing Co., Limited on 30 April 2010, this has contributed important immediate growth in the existing household product business of the Group and further strengthened the leading role of the Company in the market. The synergies from larger customer base, increased production efficiency and more comprehensive range of household products will further improve the financial performance of the Group.

Expanding into New Businesses with High Growth Potential

During the Period, the Group also had good progress in diversifying its business into new areas with high growth potential.

On 6 August 2010, Ningbo Lisi Information Technology Ltd. entered into a sale and purchase agreement with various independent third parties to acquire an aggregate of 8.62% equity interest in QL Electronics Co., Ltd. ("QLEC"). QLEC is one of the leading semiconductor suppliers in China and very strong in the research and development of single crystal silicon ingot, polished wafer, epiwafer and new type semiconductor material. The Directors of the Company are optimistic about the prospect of QLEC and consider this acquisition as the commencement of the business diversification of the Group and the business expansion into high growth and high value-creation businesses.

On 25 October 2010, Ningbo Lisi Information Technology Ltd. entered into a share transfer agreement and a capital increase agreement with various independent third parties and, upon completion of the share transfer and the capital increase, will have 24.76% interest in the registered capital of Veritas-Msi (China) Co., Ltd. ("VMCL"). VMCL is a technology development company specialized in separation technology and multiphase measurement sciences for the oil and gas industry. Its core business is to support their customers in prospecting oil and natural gas well and provide accurate, reliable and instant measuring methodology in oil and gas for the purpose of productivity improvement and cost reduction in oil and gas exploration. The directors of the Company consider VMCL is a good fit to the business strategy of the Group to drive for business growth and profit generation.

The Group will continue to explore potential businesses that have strong growth potential and good earnings which can contribute to build and provide drives for the fast growth of the Company and good return to the shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Audit committee, comprising three independent non-executive directors, Mr. Chan Man Sum Ivan (Chairman), Mr. He Chengying and Mr. Cheung Kiu Cho Vincent had reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim financial statements for the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period following enquiry by the Company.

By Order of the Board
Lisi Group (Holdings) Limited
Li Li Xin
Chairman

Hong Kong, 26 November, 2010

As at the date of this announcement, the Board comprises Mr. Li Li Xin (Chairman) being non-executive director, Mr. Cheng Jian He being executive director, Mr. Xu Jin and Mr. Lau Kin Hon being non-executive directors, Mr. He Chengying, Mr. Chan Man Sum Ivan and Mr. Cheung Kiu Cho Vincent being independent non-executive directors.